TREASURY DEPARTMENT MONTHLY LENDING AND INTERMEDIATION SNAPSHOT

Summary Analysis for September 2009

Summary Analysis

<u>Economic Environment</u>

Treasury's tenth survey of banks' activities was conducted as the economy showed more signs of improvement. The economy began to grow again in the July-to-September period after a year of steady contraction. Real GDP rose 3.5 percent at an annual rate in the third quarter. Housing activity continued to strengthen, with housing starts and existing home sales both rising in September and the inventory of homes on the market shrinking further. Consumer spending weakened, pulled down by a drop in auto purchases following the Cash for Clunkers-induced surge in August. Non-auto consumption rose, however. The pace of job losses slowed considerably in the third quarter, with the average monthly employment decline about half the size recorded in the second quarter. Nevertheless, the unemployment rate continued to rise and in October reached a 26-year high of 10.2 percent. Financial conditions improved further in September. Short-term credit spreads continued to narrow and the VIX eased slightly, moving closer to pre-crisis norms. Equity markets posted gains for the month. Despite the pickup in economic activity, the labor market remains weak and forecasters expect the unemployment rate to remain above 10 percent well into 2010.

<u>September Survey Results</u>

The overall outstanding loan balance (of all respondents) fell 1 percent from August to September at the top 22 participants in the Capital Purchase Program (CPP), while total originations of new loans increased 2 percent. In September, the 22 surveyed institutions originated approximately $239 billion in new loans. Total originations of loans by all respondents rose in 4 categories (commercial and industrial (C&I) renewals and new commitments and commercial real estate (CRE) renewals and new commitments) and fell in 4 loan categories (mortgages, home equity lines of credit (HELOCs), credit cards, and other consumer lending products).

New home purchases and refinancing originations fell in September. Respondents reported that although originations decreased from August to September, applications volume increased at the tail end of September as rates began to decline. HELOCs saw a decrease in total originations, and institutions indicated that demand remains below 2008 levels. Outstanding credit card balances held by the surveyed institutions decreased 1 percent in September, which is consistent with low consumer spending patterns and a higher savings rate. Other consumer lending declined in September as student loan disbursements fell from a seasonal high in August. The sunset of the government's "Cash for Clunkers" program caused a sharp decline in demand for auto loans, which contributed to the decline in other consumer originations. Although banks reported again that demand in the CRE market and the C&I market was well below normal levels, renewals and new commitments in both CRE and C&I loans increased. The outstanding balances of CRE and C&I loans declined, however.

- The total average outstanding balance of all loans decreased 1 percent from August to September. The median change in total average outstanding balances was a decrease of 1 percent. Of the 22 respondents, 7 reported increases in total outstanding balances from August to September (the largest increase was 5 percent) while 15 respondents experienced decreases in total outstanding balances (the largest decrease was 3 percent). Total originations of all loans increased by 2 percent from August to September. Across all institutions, the median change in total originations was an increase of 1 percent. Of the 22 respondents, 12 experienced increases in total originations from August to September and 10 experienced decreases in total originations.

- The total outstanding mortgage balance of all respondents rose 1 percent. Total mortgage originations by all respondents decreased by 12 percent, driven by decreases in refinancing originations. The median change in total mortgage originations was a decrease of 11 percent. Refinancing mortgage originations fell 15 percent from August to September. New home purchase originations declined to a lesser extent, decreasing 4 percent from August to September. Respondents indicated, however, that application volumes increased at the end of September as rates declined.

- The total outstanding balance of HELOCs fell by 1 percent from August to September. Total HELOC originations were flat in September. The median change in originations was a decrease of 5 percent from August to September. Respondents noted that the pool of qualified HELOC borrowers has declined as home values have depreciated. Of the 16 entities active in the HELOC market, 5 experienced increases in originations, 10 experienced declines in originations, and 1 experienced no change in originations. Most respondents noted that demand remained below 2008 levels.

- The total credit card outstanding balance of all respondents fell 1 percent in September, indicating that consumers are spending conservatively and paying down existing debt. Increased job losses, generally low levels of consumer spending, a higher savings rates, and a general reluctance to take on more debt contributed to stagnant credit card balances. Of the 14 respondents active in the credit card business, 7 experienced increases in outstanding balances and 7 experienced decreases in outstanding balances. Total credit card originations by all respondents decreased by 4 percent in September, and the median change in credit card originations was a decrease of 11 percent.

- The total outstanding balance of other consumer lending products increased 1 percent in September. Of the 19 institutions active in other consumer lending, 14 institutions experienced increases in outstanding balances, while 5 institutions experienced decreases in outstanding balances. Total other consumer loan originations decreased by 15 percent from August to September. The median percentage change in other consumer loan originations was a decrease of 22 percent. Of the 17 respondents making other consumer loan originations, 3 experienced increases in originations and 14 experienced decreases in originations. Student loan disbursements declined from a seasonal high in August, when the onset of the academic year accounted for increased student loan disbursements. A large drop in demand for auto loans, due largely to the sunset of the government's "Cash for Clunkers" program, contributed to the decline in originations in the other consumer lending sector.

- The total outstanding balance of C&I loans fell 3 percent; the median change in average outstanding C&I balances was a decrease of 2 percent. Economic uncertainty has caused businesses to downsize, cut costs, reduce inventories, and delay capital expenditures. Lower overall merger and acquisition activity further contributed to the decreased demand for C&I credit. Nearly all respondents indicated that, throughout the recession, demand in C&I lending has remained well below pre-recession levels. Companies continued to focus on preserving liquidity, strengthening their balance sheets, building cash reserves and paying down existing debt rather than taking on new debt. A few respondents noted, however, that middle market demand experienced a slight rebound in September. In addition, one respondent noted that not-for-profit and public institution lending opportunities increased as the Stimulus Act expanded rules for bank qualified lending.

  Total renewals of existing C&I accounts increased 16 percent in September, and the median change in renewals was an increase of 21 percent. Total new C&I commitments increased 18 percent in September, with 12 banks reporting increases in new commitments and 8 banks reporting decreases. The median change in new commitments was flat.

- Demand for new CRE loans remains low due to the lack of new construction activity. Real estate developers are reluctant to begin new projects or purchase existing projects under current poor economic conditions, which include a surplus of office space as firms downsize and vacancies rise. Finally, nearly all respondents indicated that they are actively reducing their exposure to CRE loans, as banks expect CRE loan delinquencies to persist and forecasters expect weakness in the CRE market to continue. The outstanding balance of CRE loans of all respondents was decreased 1 percent in September, and the median change in outstanding balances was a decrease of 1 percent.

  Total renewals of existing CRE accounts increased 18 percent from August to September. The median change in CRE renewals from August to September was an increase of 30 percent. Total new CRE commitments increased 10 percent from August to September, and the median change in new commitments was an increase of 2 percent. Generally, respondents did not report any specific reasons for increases in CRE renewals and new commitments.

- In September, total small business outstanding balances decreased by 1 percent, and the median change in small business outstanding balances was a decrease of 1 percent. Total small business originations decreased by 1 percent. The median change in small business originations was an increase of 8 percent.

- Both equity underwriting and debt underwriting increased in September compared to August, signaling a continued rally in both markets.

- The chart on page 6 ("Change in Loan Originations, September 2009 vs. August 2009") illustrates the range of changes in loan originations among the 22 institutions. The bar on the far right, for example, indicates that the median change of loan originations of all types was an increase of 1 percent in from August to September; originations of all types fell by 4 percent for the institution at the 25th percentile, and originations of all types rose by 14 percent for the institution at the 75th percentile. There was considerable variability in lending activity in the commercial sector (C&I and CRE).

Loan Originations, September 2009

($ Millions)

Name	First Mortgage	HELOC (Lines and Increases)	US Card (Managed): Initial Line Amount	Other Consumer Lending	C & I: Renewal of Existing Accounts	C & I: New Commitments	CRE: Renewal of Existing Accounts	CRE: New Commitments	Small Business[1]	Total Originations[2]	*Change in Total Originations*[3]
American Express	N/A	N/A	$1,048	N/A	N/A	N/A	N/A	N/A	N/A	**$1,048**	***-24%***
Bank of America	$28,547	$989	$1,370	$2,284	$12,486	$4,836	$2,806	$250	$1,108	**$53,567**	***-6%***
Bank of New York Mellon	$52	$9	N/A	$1	$85	$0	$60	$41	N/A	**$248**	***-44%***
BB&T	$1,965	$54	$157	$295	$497	$813	$1,272	$271	$753	**$5,324**	***-5%***
Capital One	$92	$18	$338	$446	$223	$391	$59	$80	$72	**$1,647**	***0%***
CIT	N/A	N/A	N/A	$0	$2,399	$295	$0	$0	$18	**$2,694**	***0%***
Citigroup	$3,317	$104	$6,689	$1,384	$2,758	$660	$103	$264	$143	**$15,279**	***4%***
Comerica	$31	$11	$37	$32	$2,808	$269	$488	$83	$294	**$3,759**	***-2%***
Fifth Third	$1,411	$100	$124	$313	$2,160	$846	$822	$188	$393	**$5,964**	***17%***
Goldman Sachs	$33	$0	$0	$23	$597	$2,464	$0	$0	$8	**$3,117**	***403%***
Hartford	$0	$0	N/A	$0	$2	$0	$7	$0	$0	**$9**	***200%***
JPMorgan Chase	$11,019	$169	$2,947	$3,580	$18,495	$13,140	$544	$704	$871	**$50,598**	***16%***
KeyCorp	$126	$67	$0	$97	$1,131	$498	$811	$43	$40	**$2,773**	***5%***
Marshall & Ilsley	$194	$64	$6	$54	$205	$120	$48	$48	$22	**$739**	***9%***
Morgan Stanley	$10	$0	N/A	$325	$1,593	$5,236	$0	$0	$150	**$7,164**	***266%***
Northern Trust	$80	$79	N/A	$78	$707	$282	$14	$74	$43	**$1,314**	***8%***
PNC	$900	$369	$182	$569	$4,044	$1,493	$605	$519	$305	**$8,681**	***-1%***
Regions	$549	$108	N/A	$192	$1,418	$789	$1,818	$222	$551	**$5,096**	***-1%***
State Street	N/A	N/A	N/A	N/A	$880	$874	$19	$0	N/A	**$1,773**	***131%***
SunTrust	$2,754	$110	$3	$513	$1,171	$1,150	$218	$221	$48	**$6,140**	***-8%***
U.S. Bancorp	$4,008	$388	$520	$982	$4,913	$2,277	$1,347	$614	$486	**$15,049**	***1%***
Wells Fargo	$25,381	$526	$1,241	$2,798	$9,552	$4,207	$2,363	$1,312	$2,536	**$47,380**	***-14%***
Total (All Institutions)	**$80,470**	**$3,166**	**$14,661**	**$13,966**	**$68,123**	**$40,641**	**$13,404**	**$4,934**	**$7,840**	**$239,364**	***2%***
Change in Total (All Institutions)[3]	***-12%***	***0%***	***-4%***	***-15%***	***16%***	***18%***	***18%***	***10%***	***-1%***	***2%***	

[1] *These loans are already accounted for in either consumer lending, commercial lending, or a combination of both.*

[2] *Total Originations does not include the "Small Business Originations" column.*

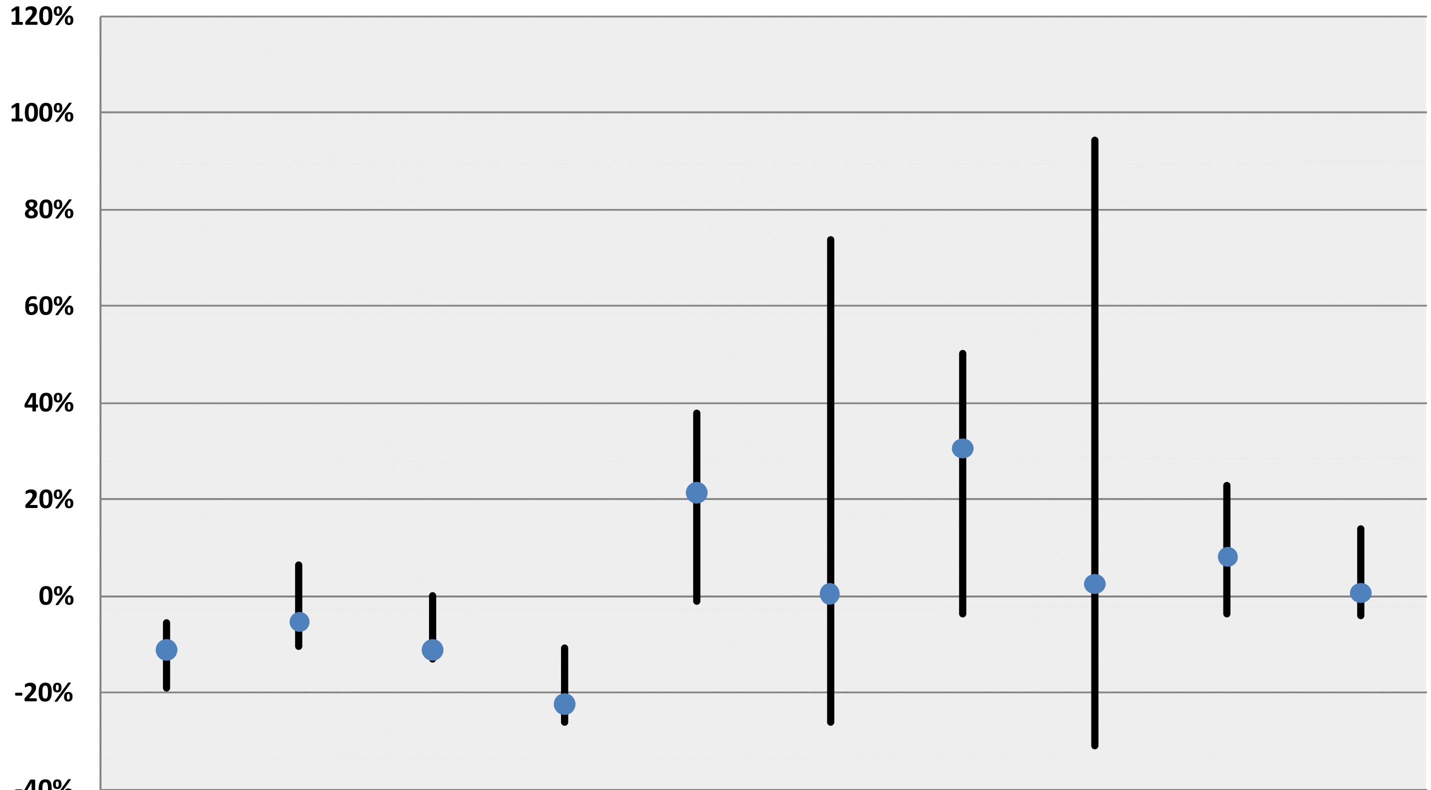
[3] *Percentage changes are calculated versus August 2009 figures.*

Loan Category Key	
First Mortgages	Loans secured by first liens on residential real estate
HELOC	Home equity lines of credit
US Card (Managed)	US credit cards (managed)
C & I	Commercial and industrial
CRE	Commercial real estate
Small Business	Loans to small businesses
N/A	Denotes recipient is not active in this category

NOTE: Reliance on internal reporting means that aggregation by loan category varies for each reporting bank. Because of the differences in loan category definitions, comparisons of origination levels across firms may be imperfect.

Change in Loan Originations

September 2009 vs. August2009



	First Mortgage	HELOC (Lines and Increases)	US Card (Managed): Initial Line Amount	Other Consumer Lending	C & I: Renewal of Existing Accounts	C & I: New Commitments	CRE: Renewal of Existing Accounts	CRE: New Commitments	Small Business Originations	Total
75th Percentile	-6%	6%	0%	-11%	38%	74%	50%	94%	23%	14%
25th Percentile	-19%	-10%	-13%	-26%	-1%	-26%	-4%	-31%	-4%	-4%
Median	-11%	-5%	-11%	-22%	21%	0%	30%	2%	8%	1%
Total (Across All Institutions)	-12%	0%	-4%	-15%	16%	18%	18%	10%	-1%	2%